

## Exhibit 3

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DIVISION OF PUBLIC UTILITIES AND CARRIERS

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IN RE: PETITION OF THE NARRAGANSETT  
ELECTRIC COMPANY AND SOUTHERN  
UNION COMPANY

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DOCKET No. \_\_\_\_\_

TESTIMONY  
OF  
RICHARD N. MARSHALL

**I.     Qualifications**

**Q.     Please state your name and business address.**

A.     My name is Richard N. Marshall. My business address is 417 Lackawanna Avenue,  
Scranton, Pennsylvania 18503.

**Q.     By whom are you employed, and in what capacity?**

A.     I am the Vice President and Treasurer of Southern Union Company (“Southern Union” or  
the “Company”). In my position, I am responsible for capital-market financing, debt  
management, cash management and the investor-relations activities of the Company. In  
my position, I am integrally involved in the purchase and sale of various utility assets  
held within the Southern Union portfolio.

**Q.     Have you previously testified in regulatory proceedings in Rhode Island?**

A.     No, I have not previously testified in regulatory proceedings before the Rhode Island  
Public Utilities Commission or the Division of Public Utilities and Carriers (the  
“Division”). However, I have testified in several proceedings involving financial and  
ratemaking matters before the Massachusetts Department of Telecommunications and  
Energy (“MDTE”). In addition to cases before the MDTE, I have testified before the  
Pennsylvania Public Utility Commission on behalf of PG Energy in connection with  
several base-rate increase filings, including Docket Nos. R-00005119, R-00984280 and  
R-00963612.

1    **II.    Purpose of Testimony**

2    **Q.    What is the purpose of your testimony in this proceeding?**

3    A.    The purpose of my testimony is: (i) to describe the sale of the Rhode Island assets of  
4           New England Gas Company to National Grid USA ("National Grid") for \$575 million  
5           less assumed debt of \$77 million; (2) to review the rationale for the sale; and (3) to  
6           outline the timeline anticipated for the closing of the transaction.

7  
8    **Q.    Please provide a brief description of Southern Union Company.**

9    A.    Southern Union is a Delaware corporation involved in the distribution, transportation and  
10          storage of natural gas throughout the United States. As structured at year-end December  
11          31, 2005, Southern Union provided natural gas local distribution service to approximately  
12          1.0 million customers in Missouri, Pennsylvania, Rhode Island and Massachusetts. In  
13          Rhode Island, Southern Union serves approximately 245,000 customers through the  
14          operating division referred to as "New England Gas Company." Southern Union also  
15          serves approximately 50,000 customers in Massachusetts through its New England Gas  
16          Company division; 500,000 customers through its operation in Missouri (Missouri Gas  
17          Energy) and 160,000 customers through its operation in Pennsylvania (PG Energy).

18  
19          In addition to its local distribution assets, the Company, through direct subsidiaries, owns  
20          and operates 100 percent of the Panhandle Eastern Pipeline Company, LP ("Panhandle  
21          Energy"), which in turn owns 100 percent of Trunkline Gas Company, LLC, Sea Robin  
22          Pipeline Company, LLC, Pan Gas Storage, LLC, doing business as Southwest Gas

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1 Storage Company and Trunkline LNG Company, LLC – one of North America’s largest  
2 liquefied natural gas import terminals. Through its 50 percent ownership interest in CCE  
3 Holdings, LLC and various management agreements, Southern Union operates  
4 CrossCountry Energy, LLC, which owns 100 percent of Transwestern Pipeline Company,  
5 LLC and 50 percent of Citrus Corp. Citrus Corp. owns 100 percent of the Florida Gas  
6 Transmission Company. In combination, Southern Union’s pipeline interests operate  
7 more than 18,000 miles of interstate pipelines that transport natural gas from the San  
8 Juan, Anadarko and Permian Basins, the Rockies, the Gulf of Mexico, Mobile Bay, South  
9 Texas and the Panhandle regions of Texas and Oklahoma to major markets in the  
10 Southeast, West, Midwest and Great Lakes region.

11  
12 **Q. What changes to the Southern Union organization have occurred since year-end**  
13 **December 31, 2005?**

14 **A.** There are two changes that are taking place in relation to Southern Union’s organization  
15 in addition to the sale of assets under discussion in this docket. First, in mid-December  
16 2005, Southern Union announced that it had signed a definitive agreement to acquire 100  
17 percent of the general and limited partnership interests in Sid Richardson Energy Services  
18 Ltd, a privately held natural gas gathering and processing company, and Richardson  
19 Energy Marketing, Ltd and 100 percent of the general partnership interests in Leapartners,  
20 LP (together, “SRES”) for \$1.6 billion. This transaction was the latest in a long-term  
21 business strategy to change Southern Union’s core business from a local retail end user  
22 utility to a wholesale leader in the natural gas transportation and services industry. With

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1 the addition of the SRES business, Southern Union now has more than 22,000 miles of  
2 gathering and transportation pipelines stretching from the Gulf of Mexico to the  
3 Southwest, Midwest and Canada. This transaction closed on March 1, 2006.

4  
5 Second, on January 26, 2006, Southern Union entered into a definitive agreement to sell  
6 the assets of its PG Energy division to UGI Corporation for \$580 million. The sale is  
7 currently being reviewed by the Pennsylvania Public Utility Commission and is  
8 anticipated to close on or before August 25, 2006.

9  
10 **Q. Would you please review the structure of the sale of Southern Union's Rhode Island**  
11 **assets, which is under consideration in this proceeding?**

12 A. Yes. As discussed in more detail in the Testimony of Mr. Gerwatowski, Southern Union  
13 entered into a Purchase and Sale Agreement ("Agreement") on February 15, 2006, to sell  
14 its local distribution assets located in Rhode Island (hereinafter referred to as the "New  
15 England Gas Assets") to National Grid USA. The New England Gas Assets are currently  
16 owned and operated through a division of Southern Union under the name of New  
17 England Gas Company, which also includes the Massachusetts assets held by Southern  
18 Union. It is my understanding that National Grid will purchase the New England Gas  
19 Assets through its subsidiary, The Narragansett Electric Company ("Narragansett"),  
20 which is currently operating as a public utility in Rhode Island pursuant to Section 39-1-  
21 2(2) of the Rhode Island General Laws.

1    **III.    Rationale for the Transaction**

2    **Q.    Please explain why Southern Union decided to sell its Rhode Island assets at this**  
3    **time.**

4    A.    As described above, the sale of the New England Gas Assets is part of a continuing  
5    transformation over the past several years of Southern Union's core business from a local  
6    retail end-user utility to a wholesale leader in the natural gas transportation and services  
7    industry. Southern Union's sale of its Rhode Island local distribution assets is a  
8    continuation in the Company's overall business strategy to move from the retail market to  
9    the wholesale transportation and services market. Proceeds from the sale will be used to  
10   retire a portion of the bridge facility financing for the acquisition of SRES, which closed  
11   on March 1, 2006.

12  
13   **Q.    Please describe the basic elements of the transaction.**

14   A.    The Agreement between Southern Union and National Grid provides for the sale of the  
15   New England Gas Assets to National Grid for \$575 million less assumed debt of \$77  
16   million. The Boards of Directors for both companies have approved the sale, which is  
17   anticipated to close on or before August 25, 2006 under the terms of the Agreement.

18  
19   Under the Agreement, National Grid will honor all labor agreements currently in effect  
20   with the New England Gas Company in Rhode Island and will offer employment with  
21   National Grid to all active New England Gas employees in Rhode Island upon completion  
22   of the sale. Further plans about how to combine the operations and functions of both

1 companies will be developed over the next several months. As stated in the testimony of  
2 Mr. Gerwatowski, the Agreement is contingent upon the approval of the Division and  
3 antitrust clearance by the Federal Trade Commission under the Hart Scott Rodino  
4 Antitrust Improvements Act of 1976.

5  
6 **Q. Please describe the impact of the sale on New England Gas Company's customers in**  
7 **Rhode Island.**

8 **A.** Southern Union believes that this transaction will be beneficial for Rhode Island  
9 customers for several reasons. First, Rhode Island customers are familiar with National  
10 Grid, where it has been delivering electricity for more than a century. In addition,  
11 National Grid provides natural gas service to over 10 million homes and businesses in the  
12 United Kingdom, as well as approximately 565,000 customers in upstate New York.  
13 New England Gas customers in Rhode Island will reap the benefits of National Grid's  
14 strong local retail delivery focus and experience in developing and implementing new  
15 technologies and innovations that will provide its new Rhode Island customers with safe,  
16 reliable and efficient gas service. In addition, the Southern Union sale to National Grid is  
17 likely to produce cost savings by virtue of the ability to coordinate and consolidate certain  
18 corporate functions as well as the opportunity to integrate the operations of National  
19 Grid's other Northeast companies over the long term.

1   **Q.     Please describe the impact of the sale on the base rates charged to the customers of**  
2       **New England Gas Company.**

3   A.     The sale of the New England Gas Assets to National Grid will have no immediate impact  
4       on the base rates charged to New England Gas customers in Rhode Island.

6   **Q.     Please describe the impact of the merger on the quality of service provided to New**  
7       **England Gas Company customers.**

8   A.     As indicated in the Testimony of Mr. Gerwatowski, National Grid believes that providing  
9       high-quality customer service is essential in today's energy marketplace. In fact, National  
10      Grid's commitment to the provision of least-cost, safe and reliable service to customers is  
11      one of the primary reasons that Southern Union sought a sale to a buyer of National  
12      Grid's reputation for quality. Given this commitment and the availability of resources to  
13      enhance the level of service provided to customers, it is Southern Union's belief that the  
14      proposed sale will not adversely affect the quality of service experienced by New England  
15      Gas customers.

17   **IV.    Timing of the Transaction**

18   **Q.     What is the required timing of the transaction to receive regulatory approvals?**

19   A.     Subject to the provisions of Section 9.1 of the Agreement, Southern Union is required to  
20      close the transaction on or before August 25, 2006. Among other things, a final order of  
21      the Division approving the purchase and sale of the New England Gas Assets is required  
22      as a prerequisite to closing. The June 30, 2006 decision date provides for a thirty-day

1        appeal period necessary to achieve a “Final Order” as defined in Section 1.1 of the  
2        Agreement and also allows time for the Petitioners to take the necessary steps to prepare  
3        for and complete the closing. Accordingly, the Company is seeking to obtain Division’s  
4        approval (to the extent possible) on or before June 30, 2006 in order to facilitate a timely  
5        closing of the transaction.

6  
7        **Q.     Is a 2/3 vote of Southern Union’s shareholders required in order for the Division to**  
8        **approve the transaction?**

9        A.     No. It is my understanding that Section 39-2-24 of the Rhode Island General Laws  
10        requires a two-thirds vote of the shareholders of the selling public utility only where the  
11        public utility is involved in a “sale or lease of all or substantially all of its property, assets,  
12        plant, and business.” Because this transaction involves only Southern Union’s Rhode  
13        Island assets and does not involve the sale of “all or substantially all” of Southern  
14        Union’s asset base, a two-thirds vote of Southern Union’s shareholders is not required  
15        under Section 39-3-24 to complete the transaction. The assets that Southern Union is  
16        conveying to National Grid constitute less than 10 percent of the total asset base of  
17        Southern Union. Given the size of the Southern Union asset base, the sale of the New  
18        England Gas Assets does not approach the statutory standard of a sale or lease of “all or  
19        substantially all” of Southern Union’s public-utility assets. Accordingly, the Petitioners  
20        are requesting a declaration by the Division that the two-thirds vote requirement set forth  
21        in Section 39-3-24 of the General Laws does not apply to Southern Union in this

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1 transaction. The Division's declaration will assist in ensuring that the transaction will be  
2 closed within the timeframe established in the Agreement.

3

4 **Q. Does this conclude your testimony?**

5 **A.** Yes, it does.

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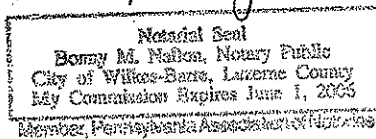
VERIFICATION OF TESTIMONY:

I, Richard N. Marshall, verify that the Testimony provided above is sworn testimony  
under oath.

Richard N. Marshall

Subscribed and Sworn to in Scranton, Pennsylvania, on this 16th day of March, 2006  
before me,

Bonny M. Mallon  
Notary Public





See separate volume